Manitoba

Annual Report
1999 - 2000

Finance

Fiscal Stabilization Fund

Includes 10% post-consumer waste

Minister of
Finance

Room 103
Legislative Building
Winnipeg. Manitoba. CANADA
R3C 0V8

His Honour Peter Liba
Lieutenant-Governor of the Province of Manitoba
Winnipeg, Manitoba

May It Please Your Honour,

The undersigned has the honour to present the Annual Report of the Fiscal Stabilization Fund for the year ended March 31, 2000.

Respectfully submitted,

Honourable Greg Selinger
Minister Responsible for the
Fiscal Stabilization Fund

FUND PROFILE

Long-term planning is an essential element of fiscal responsibility. Provincial revenue can be subject to year-to-year volatility while expenditures, such as debt servicing costs, vary significantly with financial market conditions.

When revenue growth is unusually high or exceptional revenues are received, deficits may be sharply reduced or even eliminated. This gives rise to pressures for program spending or tax cuts on the basis of a single year improvement, which cannot necessarily be sustained in the longer term. The 1989 Manitoba Budget Address announced the creation of the Fiscal Stabilization Fund (Fund), which would be used as a fiscal shock absorber, helping the province avoid disruption to programs or major tax increases. Withdrawals from the Fund may be made when revenue is constrained or there are exceptional expenditure requirements.

The Fund was established retroactively at March 31, 1989 under the authority of The Fiscal Stabilization Fund Act, which received Royal Assent on December 13, 1989. The legislated purpose of the Fund is to assist in stabilizing the fiscal position of the government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the Government may deposit in the Fund any part of the revenue or other financial assets received in the Consolidated Fund in any fiscal year and shall credit to the Fund any earnings from investment of the Fund. All or part of the Fund balance can be transferred to the Consolidated Fund in accordance with the provisions of the Act.

In 1992, the Government announced the establishment of a $10 million Economic Innovation and Technology Fund to be financed by the proceeds from the sale of Manitoba Data Services. These proceeds had been deposited to the Fund.

1999-2000 ACTIVITIES

At the beginning of the year the Fund had assets of $427.3 million, which were invested and accorded market rates of interest. In 1999-2000, the Fund earned $11.3 million in interest.

Expenditures for the year include a transfer of $1.5 million in support of the Economic Innovation and Technology Fund and a $183.2 million transfer to the Consolidated Fund.

The Balanced Budget, Debt Retirement and Taxpayer Protection Act and The Fiscal Stabilization Fund Act require that any Operating Fund surplus in the fiscal year be transferred to the Fund until its target level is reached. The Minister of Finance has the authority to transfer additional surpluses to the Fund as he considers appropriate. The 1999-2000 surplus of $10.9 million was transferred to the Fund.

FISCAL STABILIZATION FUND

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding estimates and all other data available up to September 27, 2000.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Provincial Auditor is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Deputy Minister of Finance
September 27, 2000

Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Fiscal Stabilization Fund as at March 31, 2000 and the statement of revenue and expenditure and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Winnipeg, Manitoba
September 27, 2000

Jon W. Singleton, CA
Provincial Auditor

FISCAL STABILIZATION FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2000

	2000 $	1999 $
ASSETS		
Funds on Deposit with the Minister of Finance	264,790,411	298,227,821
Investments held by the Minister of Finance	-	123,446,160
Interest Receivable	-	5,637,045
	264,790,411	427,311,026
FUND BALANCE		
Fund Balance	264,790,411	427,311,026

FISCAL STABILIZATION FUND
STATEMENT OF REVENUE AND EXPENDITURE AND FUND BALANCE

For the Year Ended March 31, 2000

	2000 $	1999 $
REVENUE		
Investments	11,312,862	16,880,955
Transfer from the Operating Fund (Note 2)	10,868,523	31,129,886
	22,181,385	48,010,841
EXPENDITURE		
Transfer to the Operating Fund (Note 3)	184,702,000	185,702,507
	(162,520,615)	(137,691,666)
Fund Balance, beginning of year	427,311,026	565,002,692
Fund Balance, end of year	264,790,411	427,311,026

FISCAL STABILIZATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

1. Incorporation and Function

The Fiscal Stabilization Fund was established at March 31, 1989, under the authority of The Fiscal Stabilization Fund Act, which received Royal Assent on December 13, 1989. The legislated purpose of the Fund is to assist in stabilizing the fiscal position of the government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the government may deposit in the Fund any part of the revenue or other financial assets received in the Operating Fund in any fiscal year and shall credit to the Stabilization Fund any earnings from investment of the Stabilization Fund. All or part of the fund balance can be transferred to the Operating Fund in accordance with the provisions of the Act.

2. Transfer from the Operating Fund

The Balance Budget, Debt Repayment and Taxpayer Protection Act and The Fiscal Stabilization Fund Act require any Operating Fund surplus to be transferred to the Fund until its target level is reached. The Minister of Finance has the authority to transfer additional surpluses to the Fund as he considers appropriate. The target level for the Fiscal Stabilization Fund is a minimum of 5% of the expenditure of the Operating Fund or approximately $322 million, based on 1999-2000 expenditures. As reported in the Public Accounts of the Province of Manitoba for 1999-2000, the Operating Fund had a surplus of $10,868,523 which was transferred to the Fiscal Stabilization Fund.

3. Transfer to the Operating Fund

Under section 4 of The Fiscal Stabilization Fund Act, the Minister of Finance, with the approval of the Lieutenant Governor in Council, may transfer once in each fiscal year all or any amounts standing to the credit of the Fund to the Operating Fund to assist in stabilizing the fiscal position of the government.

4. Subsequent Event

On August 18, 2000, the Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act was passed amending The Balanced Budget, Debt Repayment and Taxpayer Protection Act, with related amendments to The Fiscal Stabilization Fund Act and The Financial Administration Act. The Bill changes the name of the Act to The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. This Act is deemed to have come into force on April 1, 2000 and applies to fiscal years commencing after March 31, 2000. One of the major changes ensures that transfers to and from The Fiscal Stabilization Fund are not recorded as expenditure or revenue but as transfers.